

Message Text

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ACTION NEA-11

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C O N F I D E N T I A L NEW DELHI 6880

E.O. 11652: GDS
TAGS: EGEN, IN
SUBJECT: INDIA ON NORTH-SOUTH ISSUES

1. THE WILLINGNESS OF THE GOI TO MOVE AWAY FROM SOME
LONGSTANDING POSITIONS TO ARRIVE AT COMPROMISE IN SEVERAL
NORTH-SOUTH FORA RECENTLY MAY INDICATE A SHIFTING OF GOI
POLICY ON NORTH-SOUTH ISSUES. WHILE WE BELIEVE IT IS TOO
EARLY TO MAKE ANY PREDICTIONS AT THIS TIME, SOME SIGNS POINT
IN THAT DIRECTION.

2. IN EARLY FEBRUARY, THE GOI MADE A TENTATIVE AGREEMENT WITH
US ON THE LONGSTANDING ISSUE OF TROPICAL PRODUCTS IN THE MTN.
THEY STILL CONTINUE A HARD POSITION ON MAINTAINING THEIR MARGIN
OF PREFERENCE ON TARIFFS, BUT IN AGREEING TO NEGOTIATE THE
TROPICAL PRODUCTS PROPOSAL, THEY WERE WELL AWARE OF THE IMPACT
THIS WOULD HAVE ON OTHER LDCS , AND ON THS MOMENTUM TO
COMPLETE THE BROADER MTN NEGOTIATIONS.

3. AT THE RECENT UNCTAD MEETING IN PARIS ON DEBT, THE
INDIANS CLAIM CREDIT AS ONE OF THE LEADERS IN BRINGING ABOUT
THE COMPROMISE THAT RESULTED, AND THEY HAVE EXPRESSED
SATISFACTION WITH THE FINAL OUTCOME.

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4. IN DELHI 6739, WE DESCRIBE WHAT APPEARS TO BE A
WILLINGNESS TO MOVE THE G-77 TOWARD A COMPROMISE ON
THE COMMON FUND. TRUE, THE CONCESSIONS SUGGESTED FOR
THE G-77 ARE WHERE INDIA HAS LESS INTEREST, BUT NOT
ENTIRELY, A VOLUNTARY CONTRIBUTION ARRANGEMENT (AS IN
THE DEBT COMPROMISE) MUST MAKE IT EVIDENT THAT THE
FUND WILL NOT BE A LARGE SOURCE OF DEVELOPMENT FUNDS.

5. AT THIS POINT THE HYPOTHESIS THAT INDIA NOW PLACES MORE EMPHASIS ON EARLY RESOLUTION OF NORTH-SOUTH ISSUES IS PURE SPECULATION. THERE ARE VALID ARGUMENTS, HOWEVER, THAT THIS WOULD BE IN INDIA'S INTEREST. IN ADDITION, IF INDIA IS DISENTANGLING ITSELF FROM THE CONSTRAINTS OF THE G-77, IT IS BEING DONE IN A WAY THAT IS AT LEAST MODERATELY FAVORABLE TO INDIA, I.E.,

A. MTN: IN ITS DOMESTIC ECONOMIC POLICY, INDIA IS PLACING GREATER EMPHASIS ON EMPLOYMENT (INTER-ALIA SMALL SCALE, LABOR INTENSIVE INDUSTRY). WHILE THE MAIN FOCUS FOR MARKETING THESE PRODUCTS ARE THE DOMESTIC CONSUMER, IT WILL AFFECT EXPORTS, AND SUCH GOODS ARE IMPORT-SENSITIVE TO THE DCS. THEREFORE, WHILE INDIA WILL TRY FOR AS MUCH PREFERENTIAL TREATMENT AS POSSIBLE, ITS LARGER INTEREST WOULD BE A SUCCESSFUL CONCLUSION OF THE MTNS WHICH WOULD MAINTAIN AN ORDERLY WORLD TRADING SYSTEM LESS SUBJECT TO THE DANGERS OF UNILATERAL PROTECTIONISM.

B. DEBT: INDIA, WITH ITS IMPECCABLE DEBT REPAYMENT RECORD AND HIGH CREDIT STANDING, WAS NEVER IN FAVOR OF A GENERAL DEBT MORATORIUM. IT STOOD TO GAIN FROM DEBT RESCHEDULING (I.E., ROLL OVER OF OLD DEBTS TO SOFTER TERMS). THE COMPROMISE REACHED IN PARIS GAVE INDIA NO IMMEDIATE GAIN BUT DID ESTABLISH THE PRINCIPLE OF RE-SCHEDULING AND THAT IT WAS A LEGITIMATE SOURCE OF DEVELOPMENT FUNDING.
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C. COMMON FUND. PRICE STABILIZATION OF COMMODITIES WAS ALSO NEVER IN INDIA'S INTEREST (AS A NET IMPORTER OF COMMODITIES), NOR WAS BUFFER STOCKING (MOST OF INDIA'S COMMODITY EXPORTS DO NOT LEND THEMSELVES TO BUFFER STOCKS). ANOTHER SOURCE OF DEVELOPMENT FUNDS IS, HOWEVER, AND INDIA CONTINUES TO TRY TO SALVAGE A SECOND WINDOW FOR THIS PURPOSE.

6. IN OUR VIEW, THERE ARE SOME STRONG ARGUMENTS FOR INDIA TO RESOLVE NORTH-SOUTH ECONOMIC ISSUES WITH DESPATCH:

A. IT COULD QUICKEN THE DEMISE OR AT LEAST REDUCE THE INFLUENCE OF THE G-77. IN THE LIGHT OF EXPERIENCE SINCE 1973, INDIA CANNOT BUT FEEL CONSTRAINED BY THIS MECHANISM. THERE ARE FEW COUNTRIES IN IT WITH WHICH INDIA CAN SHARE MORE THAN ONE OR TWO COMMON INTERESTS AMONG THE BROAD SPECTRUM OF INTERESTS BEING DISCUSSED. THE PRICE PAID FOR PRESENTING A COMMON FRONT ON AN ISSUE OF INTEREST TO INDIA, IS A COMMON FRONT ON AN ISSUE THAT COULD COST INDIA.

B. SINCE THE DCS HAVE APPARENTLY BLOCKED THE MORE

EXTREME DEMANDS OF THE G-77, THE N-S DIALOGUE IS EVOLVING INTO A MORE MODERATE MOVEMENT FOR CHANGE. THAT HAS BEEN INDIA'S "TERRITORY". ONE COULD ARGUE THAT INDIA COULD GAIN MORE ON ITS OWN IN THIS ATMOSPHERE, THAN IT COULD WEIGHED DOWN BY THE CONSTRAINTS OF OTHER G-77 INTERESTS.

C. THE DEVELOPED COUNTRIES, AND ESPECIALLY THE US, HAVE BEGUN TO TAKE INDIA MORE SERIOUSLY. THERE ARE NOW FREQUENT CONSULTATIONS ON A BROAD RANGE OF ISSUES, AND AT A HIGH LEVEL. IN OUR FREQUENT REFERENCES TO INVITING THE REGIONALLY INFLUENTIAL COUNTRIES INTO THE INTERNATIONAL DECISION-MAKING PROCESSES, INDIA, UNLIKE THE MAJORITY OF OTHER G-77 MEMBERS, IS INEVITABLY INCLUDED. THIS TREND CORRESPONDS WITH INDIA'S OWN POLICY OF IMPROVING CONFIDENTIAL

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RELATIONS WITH THE WEST, STRENGTHENING ITS REGIONAL POSITION WHILE CONCERNING ITSELF LESS WITH A ROLE AS A WORLD LEADER OF THE LDCS.

7. THERE ARE POLITICAL FACTORS WHICH WILL RESTRAIN INDIA FROM OPENLY ADVOCATING MORE ACCOMODATING POSITIONS ON N-S ISSUES. THE G-77 MEMBERSHIP CLOSELY RESEMBLES THE NAM MEMBERSHIP. THE NAM HAS BECOME UNWIELDY, HOWEVER, AND LIKE THE G-77, SOMETIMES SUPPORTS POSITIONS NOT ENTIRELY IN INDIA'S INTEREST. NONETHELESS, IT IS DOUBTFUL INDIA WOULD UNDERMINE THE NAM. IF OUR SPECULATION IS CORRECT, HOWEVER, IT WILL BE INCREASINGLY DIFFICULT FOR INDIA TO PLAY BOTH ENDS - WITH THE HAVES IN MODERATING CHANGES IN THE INTERNATIONAL SYSTEM, AND WITH THE HAVE-NOTS IN SUPPORTING RADICAL DEPARTURES FROM IT. GOHEEN

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